

This record is a partial extract of the original cable. The full text of the original cable is not available.

C O N F I D E N T I A L AMMAN 003227

SIPDIS

TREASURY FOR A/S QUARLES, DAS RADELET, MICHAEL KAPLAN  
DEPT FOR E, NEA, EB  
NSC FOR CLAY LOWERY

E.O. 12958: DECL: 06/16/2007

TAGS: [EFIN](#) [JO](#)

SUBJECT: JORDAN FINANCE MINISTRY OFFICIAL ON DEBT AIMS

Classified By: DCM GREGORY L. BERRY. REASONS 1.5 B AND D.

1. (c) In a June 16 meeting with Econ chief, Dr. Muhammad Abu Hammour, Secretary General of the Finance Ministry (the number two ministry official and the senior such official currently in town), said meetings in European capitals were "going well" regarding Jordan's request for a stock of debt treatment by the Paris Club next month. He said that Finance Minister Marto had told him that the Germans and British were "on the right track," but he was unable to provide additional details of Marto's meetings. In addition to Marto's meetings, Abu Hammour said Prime Minister Abu Ragheb would be discussing the request in Madrid and Brussels over the next few days. (He did not mention Planning Minister Awadallah's meetings last week in Washington.)

2. (c) The most important upcoming meeting would, Abu Hammour said, be King Abdullah's visit to Tokyo at the end of the month. He said that as the largest creditor, Japan's support for "extraordinary treatment" from the Paris Club was essential. He felt that recent indications by Japanese officials of a willingness to include post-cutoff date claims in a traditional two-year consolidation period were reassuring. He thought that Japan could go further under sufficient pressure to maintain a multilateral Paris Club consensus.

3. (c) Abu Hammour did not answer directly when asked if he thought there was any possibility that Japan would consider measures outside the Paris Club. He thought that this would be consistent with the unilateral U.S. debt forgiveness and large debt swap programs provided by European creditors. However, he said that in his recent meetings in Tokyo with Foreign Minister Muasher, senior Japanese officials had emphasized Japan's economic problems as reasons why it was difficult for Japan to do more for Jordan (beyond \$20 million/year in non-project grant aid). They also told Abu Hammour that Jordan's \$3 billion in official reserves (8 months of imports) showed that Jordan did not need extra support.

4. (c) In support of Jordan's ongoing need for balance of payments relief, Abu Hammour said he argued that 1) reserves would decline as a share of imports under the IMF program, 2) Jordan had still to feel the full impact on its exports of the aftermath of the September 11 attacks, 3) UN Compensation Fund transfers that amounted to over \$500 million in 2000 had come to an end, 4) Jordan faced over \$800 million per year in debt service, and 5) that the new economic investment program (PSET) would raise import requirements for the next several years. He thought it ironic that given above market interest rates on Jordan's current debt to Japan, Jordan was effectively helping finance the Japanese economy.

5. (c) Comment: Abu Hammour's comments indicated that the Jordanians have clearly heard the message that a "Pakistan-style" stock treatment was more than creditors, including the United States, were prepared to provide. Nonetheless, he said this would remain Jordan's formal request to the Paris Club -- given that it had been enshrined in King Abdullah's recent letters to the Japanese and German Prime Ministers. Abu Hammour stressed four basic themes driving Jordan's debt objectives: 1) That Jordan faced persistent large balance of payments funding gaps for the next ten years, 2) that Jordan had implemented major policy reforms under 12 years of IMF tutelage and that there was no need for more IMF programs to encourage more policy reforms, 3) that Jordan's goal was thus to end the cycle of Paris Club and IMF programs, and 4) that high interest rates on pre- and post-cutoff date commercial and development aid debt to Japan were the core of Jordan's ongoing debt servicing problem.

Gnehm